

### **Part III --- Administrative, Miscellaneous, and Procedural**

#### Update for Weighted Average Interest Rates, Yield Curves, and Segment Rates

Notice 2014-78

This notice provides guidance on the corporate bond monthly yield curve, the corresponding spot segment rates used under § 417(e)(3), and the 24-month average segment rates under § 430(h)(2) of the Internal Revenue Code. In addition, this notice provides guidance as to the interest rate on 30-year Treasury securities under § 417(e)(3)(A)(ii)(II) as in effect for plan years beginning before 2008 and the 30-year Treasury weighted average rate under § 431(c)(6)(E)(ii)(I). The rates in this notice reflect the application of § 430(h)(2)(C)(iv), which was added by the Moving Ahead for Progress in the 21st Century Act, Public Law 112-141 (MAP-21) and amended by section 2003 of the Highway and Transportation Funding Act of 2014, Public Law 113-159 (HATFA).

#### YIELD CURVE AND SEGMENT RATES

Generally, except for certain plans under sections 104 and 105 of the Pension Protection Act of 2006 and CSEC plans under § 414(y), § 430 of the Code specifies the minimum funding requirements that apply to single-employer plans pursuant to § 412. Section 430(h)(2) specifies the interest rates that must be used to determine a plan's target normal cost and funding target. Under this provision, present value is generally determined using three 24-month average interest rates ("segment rates"), each of which applies to cash flows during specified periods. To the extent provided under § 430(h)(2)(C)(iv), these segment rates are adjusted by the applicable percentage of the 25-year average segment rates for the period ending September 30 of the year preceding the calendar year in which the plan year begins. However, an election may be made under § 430(h)(2)(D)(ii) to use the monthly yield curve in place of the segment rates.

Notice 2007-81, 2007-44 I.R.B. 899, provides guidelines for determining the monthly corporate bond yield curve, and the 24-month average corporate bond segment rates used to compute the target normal cost and the funding target. In accordance with the methodology specified in Notice 2007-81, the monthly corporate bond yield curve derived from November 2014 data is in Table I at the end of this notice. The spot first, second, and third segment rates for the month of November 2014 are, respectively, 1.40, 3.88, and 4.96.

The 24-month average segment rates determined under § 430(h)(2)(C)(i) through (iii) must be adjusted pursuant to § 430(h)(2)(C)(iv) by the applicable percentage of the corresponding 25-year average segment rates. Section 2003(a) of HATFA amended the applicable percentages under § 430(h)(2)(C)(iv). This change generally applies to plan years beginning on or after January 1, 2013. However, pursuant to section 2003(e)(2) of HATFA, a plan sponsor can elect not to have the amendments made to the applicable percentages by section 2003 of HATFA apply to any plan year beginning in 2013. These elections can be made either for all purposes or, alternatively, for purposes of determining the adjusted funding target attainment percentage under § 436. The 25-year average segment rates for plan years beginning in 2012, 2013, 2014 and 2015 were published in Notice 2012-55, 2012-36 I.R.B. 332, Notice 2013-11, 2013-11 I.R.B. 610, Notice 2013-58, 2013-40 I.R.B. 294, and Notice 2014-50, 2014-40 I.R.B. 590, respectively.

For plan years beginning in years 2012 through 2017, pursuant to the changes made by HATFA, the applicable minimum percentage is 90% and the applicable maximum percentage is 110%. These applicable percentages are referred to as HATFA applicable percentages. As described in the preceding paragraph, a special election is available for any plan year beginning in 2013 under which this change made by HATFA can be disregarded for all purposes or for limited purposes. To the extent such an election is made, the applicable minimum percentage for a plan year beginning in 2013 is 85% and the applicable maximum percentage for that plan year is 115%. These applicable percentages are referred to as MAP-21 applicable percentages.

The three 24-month average corporate bond segment rates applicable for December 2014 without adjustment for the 25-year average segment rate limits are as follows:

Applicable Month	First Segment	Second Segment	Third Segment
December 2014	1.20	4.10	5.20

Based on § 430(h)(2)(C)(iv) as amended by section 2003 of HATFA, the 24-month averages applicable for December 2014 adjusted for the HATFA applicable percentages of the corresponding 25-year average segment rates, are as follows:

For Plan Years Beginning In	Adjusted 24-Month Average Segment Rates, Based on the HATFA Applicable Percentage of 25-Year Average Rates			
	Applicable Month	First Segment	Second Segment	Third Segment
2013	December 2014	5.23	6.51	7.16
2014	December 2014	4.99	6.32	6.99
2015	December 2014	4.72	6.11	6.81

Based on § 430(h)(2)(C)(iv) as in effect prior to amendment by section 2003 of HATFA, the three 24-month averages applicable for December 2014 adjusted for the MAP-21 applicable percentages of the corresponding 25-year average segment rates, for plan years beginning in 2013, are as follows:

For Plan Years Beginning In	Adjusted 24-Month Average Segment Rates, Based on MAP-21 Applicable Percentage of 25-Year Average Rates			
	Applicable Month	First Segment	Second Segment	Third Segment

2013	December 2014	4.94	6.15	6.76
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### 30-YEAR TREASURY SECURITIES INTEREST RATES

Generally for plan years beginning after 2007, § 431 specifies the minimum funding requirements that apply to multiemployer plans pursuant to § 412. Section 431(c)(6)(B) specifies a minimum amount for the full-funding limitation described in section 431(c)(6)(A), based on the plan's current liability. Section 431(c)(6)(E)(ii)(I) provides that the interest rate used to calculate current liability for this purpose must be no more than 5 percent above and no more than 10 percent below the weighted average of the rates of interest on 30-year Treasury securities during the four-year period ending on the last day before the beginning of the plan year. Notice 88-73, 1988-2 C.B. 383, provides guidelines for determining the weighted average interest rate. The rate of interest on 30-year Treasury securities for November 2014 is 3.04 percent. The Service has determined this rate as the average of the daily determinations of yield on the 30-year Treasury bond maturing in August 2044 determined each day through November 12, 2014, and the yield on the 30-year Treasury bond maturing in November 2044 determined each day for the balance of the month. The following rates were determined for plan years beginning in the month shown below.

For Plan Years Beginning in		30-Year Treasury Weighted Average	Permissible Range	
<u>Month</u>	<u>Year</u>		<u>90%</u>	<u>to 105%</u>
December	2014	3.37	3.03	3.54

### MINIMUM PRESENT VALUE SEGMENT RATES

In general, the applicable interest rates under § 417(e)(3)(D) are segment rates computed without regard to a 24-month average. Notice 2007-81 provides guidelines for determining the minimum present value segment rates. Pursuant to that notice, the minimum present value segment rates determined for November 2014 are as follows:

<u>First Segment</u>	<u>Second Segment</u>	<u>Third Segment</u>
1.40	3.88	4.96

### DRAFTING INFORMATION

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**Table I**

Monthly Yield Curve for November 2014  
Derived from November 2014 Data

<i>Maturity</i>	<i>Yield</i>								
0.5	0.28	20.5	4.59	40.5	5.01	60.5	5.15	80.5	5.22
1.0	0.56	21.0	4.61	41.0	5.01	61.0	5.15	81.0	5.22
1.5	0.83	21.5	4.63	41.5	5.02	61.5	5.15	81.5	5.22
2.0	1.09	22.0	4.65	42.0	5.02	62.0	5.16	82.0	5.23
2.5	1.34	22.5	4.66	42.5	5.03	62.5	5.16	82.5	5.23
3.0	1.57	23.0	4.68	43.0	5.03	63.0	5.16	83.0	5.23
3.5	1.79	23.5	4.70	43.5	5.04	63.5	5.16	83.5	5.23
4.0	1.99	24.0	4.71	44.0	5.04	64.0	5.17	84.0	5.23
4.5	2.18	24.5	4.72	44.5	5.05	64.5	5.17	84.5	5.23
5.0	2.37	25.0	4.74	45.0	5.05	65.0	5.17	85.0	5.23
5.5	2.54	25.5	4.75	45.5	5.05	65.5	5.17	85.5	5.23
6.0	2.70	26.0	4.77	46.0	5.06	66.0	5.17	86.0	5.24
6.5	2.85	26.5	4.78	46.5	5.06	66.5	5.18	86.5	5.24
7.0	2.99	27.0	4.79	47.0	5.07	67.0	5.18	87.0	5.24
7.5	3.12	27.5	4.80	47.5	5.07	67.5	5.18	87.5	5.24
8.0	3.24	28.0	4.81	48.0	5.07	68.0	5.18	88.0	5.24
8.5	3.35	28.5	4.82	48.5	5.08	68.5	5.18	88.5	5.24
9.0	3.46	29.0	4.83	49.0	5.08	69.0	5.19	89.0	5.24
9.5	3.56	29.5	4.85	49.5	5.09	69.5	5.19	89.5	5.24
10.0	3.65	30.0	4.85	50.0	5.09	70.0	5.19	90.0	5.25
10.5	3.74	30.5	4.86	50.5	5.09	70.5	5.19	90.5	5.25
11.0	3.82	31.0	4.87	51.0	5.10	71.0	5.19	91.0	5.25
11.5	3.89	31.5	4.88	51.5	5.10	71.5	5.19	91.5	5.25
12.0	3.96	32.0	4.89	52.0	5.10	72.0	5.20	92.0	5.25
12.5	4.02	32.5	4.90	52.5	5.11	72.5	5.20	92.5	5.25
13.0	4.08	33.0	4.91	53.0	5.11	73.0	5.20	93.0	5.25
13.5	4.13	33.5	4.92	53.5	5.11	73.5	5.20	93.5	5.25
14.0	4.18	34.0	4.92	54.0	5.11	74.0	5.20	94.0	5.25
14.5	4.23	34.5	4.93	54.5	5.12	74.5	5.20	94.5	5.25
15.0	4.27	35.0	4.94	55.0	5.12	75.0	5.21	95.0	5.26
15.5	4.31	35.5	4.95	55.5	5.12	75.5	5.21	95.5	5.26
16.0	4.35	36.0	4.95	56.0	5.13	76.0	5.21	96.0	5.26
16.5	4.38	36.5	4.96	56.5	5.13	76.5	5.21	96.5	5.26
17.0	4.41	37.0	4.97	57.0	5.13	77.0	5.21	97.0	5.26
17.5	4.44	37.5	4.97	57.5	5.13	77.5	5.21	97.5	5.26
18.0	4.47	38.0	4.98	58.0	5.14	78.0	5.21	98.0	5.26
18.5	4.50	38.5	4.98	58.5	5.14	78.5	5.22	98.5	5.26
19.0	4.52	39.0	4.99	59.0	5.14	79.0	5.22	99.0	5.26
19.5	4.54	39.5	5.00	59.5	5.14	79.5	5.22	99.5	5.26
20.0	4.57	40.0	5.00	60.0	5.15	80.0	5.22	100.0	5.26